

Message Text

UNCLASSIFIED

PAGE 01 STATE 034137

62

ORIGIN ARA-10

INFO OCT-01 ISO-00 FEA-01 SAB-01 SSO-00 NSCE-00 USIE-00

INRE-00 SS-15 NSC-05 CIAE-00 DODE-00 INR-07 NSAE-00

PA-02 USIA-15 PRS-01 SP-02 EB-07 TRSE-00 OES-05 /072 R

DRAFTED BY ARA/PAF:PNIEBURG:MMS

APPROVED BY ARA/PAF:PNIEBURG

----- 040501

O 120047Z FEB 76

FM SECSTATE WASHDC

TO AMEMBASSY CARACAS IMMEDIATE

UNCLAS STATE 034137

E.O. 11652: N/A

TAGS: PFOR, VE

SUBJECT: RESUME QUESTIONS

FOR HIGGINS

FOLLOWING Q AND A ATTRIBUTABLE TO ASSISTANT SECRETARY, AS
PER TELCON.

Q. US IMPORTS OF VENEZUELAN OIL FELL OFF BY HALF A MILLION
BARRELS IN 1975. DOES THIS MEAN THE BEGINNING OF A TREND
AWAY FROM TRADITIONAL SOURCES AND A MOVE TOWARDS GREATER
RELIANCE ON MIDDLE EAST AND AFRICAN PRODUCERS AS WELL AS
NEW SOURCES?

A. NO. VENEZUELA REMAINS OUR SINGLE MOST IMPORTANT FOREIGN
SUPPLIER OF PETROLEUM.

THE HALF MILLION BARREL DROP IN 1975, TO WHICH YOU REFER, IS
A REFLECTION OF THE LAW OF SUPPLY AND DEMAND -- AT TODAY'S
HIGH OPEC PRICES, MARKET DEMAND IS NATURALLY DOWN, PARTICU-
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 STATE 034137

LARLY FOR HEAVY CRUDE OIL.

THERE ARE OTHER FACTORS AS WELL WHICH DETERMINE WHICH OIL, HOW MUCH AND AT WHAT PRICE IT IS PURCHASED ON OUR OPEN MARKET. THESE INCLUDE THE SULFUR CONTENT, THE TRANSPORTATION

COSTS, THE MILD WINTER IN THE UNITED STATES, AND OUR RECESSION.

HOWEVER, THIS DROP DEFINITELY DOES NOT REFLECT ANY DELIBERATE US GOVERNMENT POLICY TO REDUCE VENEZUELA'S SHARE OF THE US MARKET. IN THE FIRST PLACE, THE US GOVERNMENT IS NOT IN THE OIL BUSINESS AND DOES NOT PRESUME TO TELL US IMPORTERS FROM WHAT SOURCES THEY SHOULD BUY. THOSE SOURCES, HOWEVER, RECOGNIZE, AS DOES THE USG, THAT VENEZUELA IS A HIGHLY IMPORTANT AND RELIABLE SOURCE OF SUPPLY.

2. Q. IS PART OF YOUR (KISSINGER) MISSION TO SEEK A LOWERING OF OIL PRICES--OR AT LEAST TO ASK VENEZUELA TO EXERT INFLUENCE AS A MODERATING VOICE INSIDE OPEC?

A. WE HAVE MADE NO SECRET OF OUR VIEWS ABOUT PETROLEUM PRICING. REGIONAL INCREASES IN THE PRICES FOR ENERGY,-- A BASIC NECESSITY FOR DEVELOPED AND DEVELOPING NATIONS ALIKE--FAN THE FLAMES OF WORLD INFLATION. WE KNOW THAT THE OIL PRODUCING NATIONS TOO ARE SUFFERING FROM INFLATIONARY PRESSURES. THE PRICES OF GOODS THEY IMPORT HAVE ALSO INCREASED. THERE IS, THEREFORE, A CHALLENGE IN FINDING THAT FINE BALANCE OF INTERESTS THAT BEST MEETS THE REQUIREMENTS OF ALL. THIS IS ONE OF THE SUBJECTS WE HAVE BEEN DISCUSSING IN PARIS, AT CIEC, WHERE VENEZUELA IS THE CO-CHAIRMAN.

THE PRICE QUESTION MAY COME UP AGAIN DURING THE VISIT. BUT THE PURPOSE OF THIS TRIP IS MUCH BROADER.

3. Q. IT IS ALMOST A YEAR SINCE PRESIDENT FORD PROMISED ACTION TO AMEND THE CLAUSE IN THE TRADE ACT THAT DISCRIMINATES AGAINST VENEZUELA AND ECUADOR. WHAT CAN BE UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STATE 034137

DONE NOW, AND UNDER PRESENT CIRCUMSTANCES, TO ELIMINATE THE CLAUSE? WHAT IS THE REACTION IN WASHINGTON TO THE MANY REQUESTS--ESPECIALLY THOSE OF LOCAL AMERICAN CHAMBERS OF COMMERCE--MADE IN BEHALF OF ECUADOR AND VENEZUELA?

A. IN A PRACTICING, LIVING DEMOCRACY LIKE VENEZUELA IT IS NOT DIFFICULT TO PUT THIS PROBLEM INTO ITS PROPER PERSPECTIVE--THE SEPARATION OF POWERS IN OUR GOVERNMENT. WE

HAVE A SAYING "THE PRESIDENT PROPOSES AND THE CONGRESS DISPOSES". THE ADMINISTRATION HAS VIGOROUSLY URGED THE CONGRESS TO MODIFY THE GSP EXCLUSION PROVISION SO AS TO PERMIT THE ELIGIBILITY OF VENEZUELA AND ECUADOR. I HAVE PERSONALLY SPENT CONSIDERABLE TIME ON IT. SECRETARY KISSINGER TESTIFIED TO THE SENATE FINANCE COMMITTEE ON JANUARY 30 NOTING: "THE BLANKET EXCLUSION OF OPEC COUNTRIES

HAS HAD A NOTICEABLE ADVERSE EFFECT ON OUR RELATIONS WITH IMPORTANT COUNTRIES SUCH AS VENEZUELA, ECUADOR AND INDONESIA--COUNTRIES THAT DID NOT PARTICIPATE IN THE 1973 EMBARGO...THE GSP DENIAL...IS BY ALL ODDS THE MOST DIVISIVE FACTOR IN THE HEMISPHERE IN THE TRADE FIELD... AMENDMENT OF THE OPEC EXCLUSION PROVISION IS IN THE US NATIONAL INTEREST."

BUT, YOU SHOULD UNDERSTAND THE OTHER SIDE OF THE COIN. THE EXCLUSION REFLECTS THE SERIOUS CONCERN OF BOTH CONGRESS AND THE AMERICAN PUBLIC OVER HIGH OIL PRICES. PUT YOURSELF INTO A US LEGISLATOR'S SHOES -- HE REPRESENTS HIS CONSTITUENTS WHO COMPLAIN OF HIGH OPEC PRICES. THE VENEZUELAN-US CHAMBER OF COMMERCE, WITH WHOM I ALSO MET, HAS HELPED GREATLY IN THESE EFFORTS TO AMEND THE LEGISLATION, BUT THE CENTRAL QUESTION FOR OUR CONGRESSMEN ARE THE VIEWS OF THE CONSTITUENTS. NONETHELESS, WE ARE CONTINUING TO PRESS STRONGLY FOR A CONGRESSIONAL CHANGE IN THE LAW.

4. Q. DESPITE PRESIDENT FORD'S WARNING THAT CUBA'S INTERVENTION IN THE ANGOLAN WAR MAKES IT IMPOSSIBLE TO TALK ABOUT RELATIONS WITH FIDEL CASTRO'S GOVERNMENT, GROUPS OF US CORPORATIONS SEEM TO BE INTERESTED IN TRADE WITH CUBA. WHAT WILL BE THE REAL TREND THIS YEAR IN WASHINGTON

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 STATE 034137

IN DEALING WITH THE CUBAN ISSUE?

A. CUBA'S INTERNATIONAL MEDDLING HAS DEALT A SEVERE SETBACK TO THE PROSPECTS FOR A NORMALIZATION OF US-CUBAN RELATIONS. THE MASSIVE CUBAN VENTURE IN ANGOLA HAS UNDERCUT CONGRESSIONAL AND PUBLIC SUPPORT FOR AN EARLY RESUMPTION OF RELATIONS. CONSEQUENTLY, A CHANGE IN OUR RELATIONS WITH CUBA IS NOT IN THE CARDS.

THERE HAS BEEN SOME INTEREST EXPRESSED BY PRIVATE COMPANIES IN DOING BUSINESS WITH CUBA, WHEN CIRCUMSTANCES PERMIT IT. AMERICAN BUSINESS IS MOST UNDERSTANDING, HOWEVER, OF THE BARRIERS THAT CURRENTLY BLOCK MOVES TO RENEW TRADE TIES WITH CUBA. MOREOVER, IT MUST BE RECOGNIZED THAT EVEN AT ITS BEST, US-CUBAN TRADE WOULD REPRESENT ONLY

A SMALL FRACTION OF OUR FOREIGN TRADE. SO IT IS NOT AN ISSUE OF MAJOR ECONOMIC SIGNIFICANCE.

5. Q. DO YOU HAVE ANY COMMENT ON THE RECENTLY ORGANIZED SELA (LATIN AMERICAN ECONOMIC SYSTEM)?

A. WE DO NOT UNDERSTAND THAT SELA IS INTENDED TO BE AN INSTRUMENT OF POLITICAL CONFRONTATION WITH THE US, BUT

RATHER A METHOD OF COOPERATION THROUGH WHICH THE NATIONS OF LATIN AMERICA CAN WORK TOGETHER TO SOLVE COMMON ECONOMIC PROBLEMS. AS SUCH WE WISH IT WELL.

6. Q. IS THE SO-CALLED "SPIRIT OF TLATELOLCO" DEAD? IF SO, WAS IT KILLED BY THE US TRADE ACT?

A. A SPIRIT, LIKE AN IDEA, MAY DIE, BUT YOU CANNOT KILL IT. WHAT WE SET IN MOTION IN TLATELOLCO WAS A PROCESS-- A PROCESS OF THINKING, AND CONSULTATION NOT JUST ABOUT OUR BILATERAL OR REGIONAL RELATIONS, BUT ABOUT OUR ROLES AND ACTIONS IN AN INTERDEPENDENT WORLD. AND THIS PROCESS IS STILL VERY MUCH ALIVE AS YOU CAN SEE FROM THE SECRETARY'S VISIT HERE.

UNCLASSIFIED

UNCLASSIFIED

PAGE 05 STATE 034137

7. Q. SOME OBSERVERS BELIEVE THAT A SETTLEMENT WITH PANAMA WILL START AN ERA OF BETTER RELATIONS BETWEEN THE US AND LATIN AMERICA. ARE YOU SO OPTIMISTIC?

A. THERE IS NO DOUBT IN OUR MIND THAT MANY LATIN AMERICAN NATIONS HAVE STRONG FEELINGS ON THE PANAMA CANAL ISSUE. WE OBSERVE AND WE LISTEN AND THERE CERTAINLY HAS NOT BEEN A DEARTH OF PUBLIC STATEMENTS FROM LATIN AMERICA ON THIS SUBJECT. WE ARE AWARE THAT THE PANAMA CANAL IS AN IMPORTANT ISSUE FOR US IN THIS HEMISPHERE.

AS YOU KNOW, WE ARE IN SERIOUS AND INTENSIVE NEGOTIATIONS WITH THE PANAMANIAN TO MODERNIZE THE CANAL TREATY. WHEN WE ACCOMPLISH THIS GOAL, AND WE ARE CONFIDENT THAT WE SHALL, THIS ISSUE WILL HAVE BEEN REMOVED AS AN AGENDA ITEM FROM OUR TALKS WITH SOME OF THE NATIONS OF THE HEMISPHERE. IT CANNOT HELP BUT HAVE A SALUTORY EFFECT TO PUT THIS ISSUE BEHIND US. INGERSOLL

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, TRADE LAW, POLICIES, REPORTS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 12 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE034137
Document Source: CORE
Document Unique ID: 00
Drafter: PNIEBURG:MMS
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760052-0903
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760255/aaaabvqp.tel
Line Count: 219
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: housmasa
Review Comment: n/a
Review Content Flags:
Review Date: 30 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 JUN 2004 by oatisao>; APPROVED <04 OCT 2004 by housmasa>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RESUME QUESTIONS FOR HIGGINS
TAGS: PFOR, ENRG, ETRD, VE, US, CU, PQ
To: CARACAS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006